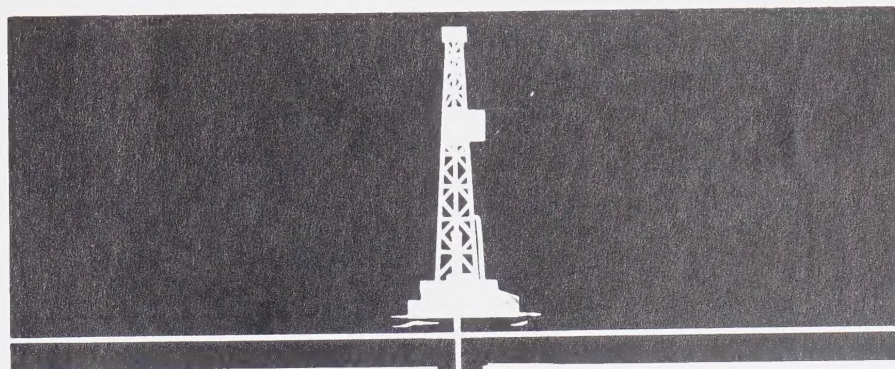


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SPACEMASTER
Minerals Ltd.

**Annual
Report**



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DIRECTORS' REPORT

To the Shareholders:

1968 was a year of activity and progress for your Company.

To gauge the extent of growth achieved, a comparison of property holdings and financial positions as at December 31st, 1967 and 1968 follows:

	<u>1967</u>	<u>1968</u>
Mining claims	60	186
Claims optioned to major companies	52	148
* Oil wells	nil	2 wells (25%)
Oil leases	nil	800 acres (25%)
Shares authorized	5,000,000	10,000,000
Shares issued	4,682,501	5,482,501
Current assets	\$ 56,095.00	\$ 113,315.00
Investments	\$ 2,482.00	\$ 19,718.00

MAJOR PROPERTIES & ACTIVITIES

GREER LAKE, MANITOBA, 28 CLAIMS

Apart from surface blasting and sampling for prospecting and assessment purposes, we were unable to launch a concerted development of these claims. This was mainly due to our preoccupation with the diamond drilling at Shatford Lake and our staking and ground prospecting activities at Wallace Lake. Nevertheless the Greer Lake property, with its high grade, complex multi-mineral showings deserves our attention and we hope to get a more comprehensive development program underway this season.

SHATFORD LAKE, MANITOBA, 48 CLAIMS

3500 feet of diamond drilling was completed on the Bun and Bunty claims in 1968. Tantalum Mining Corporation drilled 7 holes totalling 1000 feet on the optioned Bunty claims. All drill cores showed visible but below ore grade Tantalite. Tantalum Mining Corporation allowed their option to lapse on July 1st, 1968. Shortly thereafter negotiations with Kaweck-Berylco Industries of New York resulted in a new option agreement, the staking of additional claims covering several magnetic depressions (Pegmatite indicators) and the drilling of 4 holes totalling 2500 feet, north of the Lake. Tantalite was noted in the core from two of these holes, however, the drilling near the center of one of the magnetic depression areas did not reveal any large concentration of favorable pegmatite.

On December 1st, 1968, after consultation with Kaweck-Berylco, our option on the 5 Bunty claims was allowed to lapse. All of the Bun claims were retained and under the terms of our agreement with Kaweck-Berylco, they undertake to keep the claims in good standing until January 1st, 1971. The Kaweck-Berylco 1969 work program at Shatford Lake will be announced shortly. Many interesting areas have yet to be thoroughly examined and we understand that a detailed geological mapping of the Bun group is under consideration.

WALLACE LAKE, MANITOBA, 100 CLAIMS

Condensed terms of our option agreement with Imperial Oil Enterprises Ltd. appear under "Notes to Financial Statements" Note 2, "Mining Properties".

In February 1969, Imperial commenced their initial exploration and development program on the Wallace Lake claims. The work is being directed by Albert Koffman, P.Eng., formerly with Hudson Bay Mining and Smelting. It consists of line cutting and line picketing most of the area covered by Wallace Lake and some of the nearby land area, both east and west of the Lake. This will be followed by a ground EM of approximately 30 claims. Indicated anomalies will then be diamond drilled. Drilling through the ice of the Lake will take place next winter.

UCHI LAKE, ONTARIO, 1/2 INTEREST IN 35 CLAIMS

The staking of these claims was completed early this year in partnership with Bird River Mines Co. Ltd. The area staked lies between holdings of the Boylen interests and a large group optioned to Asarco, north of the Selco discovery. They cover several prominent magnetic anomalies noted for copper occurrences. Work on the claims will be undertaken this summer and fall.

VIRDEN, MANITOBA, OIL WELLS & LEASES

In September, 1968 we entered into partnership with Mantex Petroleum Limited, the President of which is John Clarke, well known Virden oil man. Two wells were drilled, both of them are producers. The first well, Mantex-Spacemaster-Maples 13A-4-10-26 has had some water disposal problems, but when these are ironed out the well should prove to be a good average long term producer. Both Mr. Clarke and Mr. Elder of Mantex are very pleased with the second well, Mantex-Spacemaster-Virden, 4A-24-10-26, it has proven to be an above average well, producing approximately 600 barrels of crude during February. Spacemaster holds a 25% interest in both wells, and a 25% working interest in 800 acres of oil leases on which a possible 5 to 10 additional wells may be drilled.

BRITISH COLUMBIA ACTIVITIES

Your directors have decided that mining opportunities in British Columbia are of such scope and diversity as to warrant early participation in this area. Steps have been taken to engage a consulting geologist. Reports on several interesting properties have already been examined, and we feel confident that our entry into this field will soon result in the acquisition of mining claims of merit. Talks have taken place with officials of Financial and Brokerage institutions regarding future financing and other important matters. An application to register the company in British Columbia is being prepared and will be submitted without delay.

Shareholders will be fully informed as plans for the future unfold.

Respectfully submitted on behalf
of the Board of Directors.

Victoria, B.C.
March 31, 1969

C.H. Bethel
President

* Well 13A-4-10-26 has been temporarily suspended pending completion of satisfactory arrangements for water disposal.

RIDDELL, STEAD, GRAHAM & HUTCHISON
CHARTERED ACCOUNTANTS

804-220 PORTAGE AVENUE
WINNIPEG 1, MANITOBA

AUDITORS' REPORT

To The Shareholders
Spacemaster Minerals Ltd.

We have examined the balance sheet of Spacemaster Minerals Ltd. as at December 31, 1968 and the statement of deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead, Graham & Hutchison

March 21, 1969.

SPACEMASTER MINERALS LTD.

BALANCE SHEET AS AT DECEMBER 31, 1968
 STATEMENT OF DEFICIT
 FOR THE YEAR ENDED DECEMBER 31, 1968

ASSETS

CURRENT ASSETS

Cash
 Deposit receipts
 Accounts receivable
 Subscriptions receivable

\$ 17,705
 90,000
 5,295
 315
113,315

INVESTMENTS

40,000 shares of Canhart Mines Ltd. (Note 1)

1

OIL PROPERTIES at cost

A 25% undivided interest in petroleum leases
 including cost of development

18,563

MINING PROPERTIES AND RELATED EXPENSES at cost (Note 2)

Sundry Income

1,154

Interest on investments
 Sale of options on mining claims less cost thereof
 Shatford Lake claims (Note 2)
 Wallace Lake claims (Note 2)

INCORPORATION EXPENSE

2,246

\$135,279

BALANCE AT END OF YEAR

\$81,690

LIABILITIES

ACCOUNTS PAYABLE

\$ 3,223

CAPITAL STOCK

Authorized (Note 3)
 10,000,000 shares of no par value

Issued (Note 3)
 5,482,501 shares

\$195,874

CONTRIBUTED SURPLUS

17,872
213,746

DEFICIT

132,056
\$135,279

BALANCE AT BEGINNING OF YEAR

Administrative Expenses \$2,071
 Transfer agent fees 1,616
 Printing, postage and stationery 1,403
 Travelling 713
 Advertising 453
 Telephone and telegraph 450
 Accounting and audit 898
 Miscellaneous 7,604

Cost of mining claims abandoned
 Bunty claims

1,159
87,890

\$79,127

Signed on behalf of the Board:

"C. H. BETHEL" Director
 "W. KOSHOWSKI" Director

SPACEMASTER MINERALS LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1968

1. INVESTMENTS

The investment in Canhart Mines Ltd. includes 36,000 shares held in escrow by the trustee.

2. MINING PROPERTIES

Starr Lake - Bill claims	\$ 356
The company holds unregistered transfers on 9 unpatented mining claims in the Lac du Bonnet Mining Division for cost of staking.	
Greer Lake - Soon claims	696
The company holds 23 registered unpatented mining claims in the Lac du Bonnet Mining Division for cost of staking.	
Shatford Lake - Bun claims	1
For a cash consideration of \$2,200, the company has granted an option to Kawecki Chemical Company giving them rights to acquire on or before January 1, 1971 a 75% interest in the 48 unpatented mining claims. In order to exercise this option, Kawecki must expend a further \$25,000 on an exploration program. Kawecki has the right to incorporate a new company to acquire these claims and Spacemaster is to receive 250,000 shares being 25% of the shares issued for the claims, and a right to participate up to 25% in any additional shares issued.	
Wallace Lake - Divens, Cy, Stan and Bill claims	1
For a cash consideration of \$5,000, the company has granted an option to Imperial Oil Enterprises Ltd. giving them the rights to acquire on or before December 31, 1971, a 70% interest in the 100 unpatented Wallace Lake mining claims. Imperial Oil Enterprises are required to expend on exploration, development, maintenance and operation not less than \$25,000 before December 31, 1969, a further \$35,000 before December 31, 1970 and a further \$40,000 before December 31, 1971, in order to exercise this option. The company is entitled to participate in additional expenditures in an amount proportionate to their equity in the claims or have their respective interest reduced in accordance with the terms of the agreement.	
Wallace Lake - Meteor claim	100
At a cost of \$100, the company has an option to acquire this unpatented mining claim on or before June 3, 1969 for a further consideration of 7,000 common shares.	
	<u>\$1,154</u>

3. AUTHORIZED SHARE CAPITAL

The company through supplementary letters patent dated August 2, 1968 increased the authorized capital from 5,000,000 to 10,000,000 common shares without nominal or par value.

4. ISSUED SHARE CAPITAL

During the year ended December 31, 1968 the company issued 800,000 shares of capital stock for a cash consideration of \$74,000.



MANTEX-SPACEMASTER-MAPLES 13A-4-10-26

L to R : Harvey B. Elder P.E. Mantex Petroleum Limited, C. H. Bethel, President and William Koshowski,
Secretary-Treasurer, Spacemaster Minerals Ltd.